

**DUTCHESS COUNTY  
LOCAL DEVELOPMENT CORPORATION  
(A COMPONENT UNIT  
OF DUTCHESS COUNTY, NEW YORK)  
FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2010**

**DUTCHESS COUNTY  
LOCAL DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)  
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DECEMBER 31, 2010**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Dutchess County Local Development Corporation  
3 Neptune Road  
Poughkeepsie, New York 12601

We have audited the accompanying Statement of Net Assets of the Dutchess County Local Development Corporation, a component unit of Dutchess County, New York, as of December 31, 2010, and the related Statements of Revenues, Expenses and Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Local Development Corporation as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011 on our consideration of the Dutchess County Local Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Poughkeepsie Office

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dutchess County Local Development Corporation's financial statements as a whole. The additional information on the Schedule of Indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Seaton Hudson Valley CPAs*

Poughkeepsie, New York  
March 25, 2011

**DUTCHESS COUNTY  
LOCAL DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)  
MANAGEMENT’S DISCUSSION AND ANALYSIS-UNAUDITED  
DECEMBER 31, 2010**

The following “Management’s Discussion and Analysis” report (MD&A) provides the reader with an introduction and overview to the financial activities and performance of the Dutchess County Local Development Corporation for the year ended December 31, 2010, as mandated by GASB #34. This information should be reviewed in conjunction with the Agency’s audited financial statements.

**FINANCIAL OPERATIONS HIGHLIGHTS**

The Dutchess County Local Development Corporation (“LDC”) was established in 2010 to provide the authority to issue tax exempt bonds for not-for-profit organizations.

**SUMMARY OF OPERATIONS**

<b><u>REVENUES:</u></b>	<b><u>2010</u></b>
Fees	\$245,837
Interest Earnings	<u>31</u>
<b>Total Revenues</b>	<b><u>\$245,868</u></b>
 <b><u>EXPENSES:</u></b>	
Administrative Expense	\$9,148
<b>Total Expenses</b>	<b><u>\$9,148</u></b>

**FINANCIAL POSITION SUMMARY**

Net Assets may serve as an indicator of the Agency’s financial position. The Agency’s Net Assets were \$236,720 at December 31, 2010.

For details of the Agency’s finances, see the accompanying financial statements and notes thereof.

**FINANCIAL STATEMENTS**

The Agency’s financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured as an enterprise fund. It is a component unit of Dutchess County, New York because the County Legislature appoints the Agency’s seven-member board. Bonds issued by the Agency are not a liability of the County or the Agency, but remain the sole responsibility of the project developer. See the accompanying Notes to the Financial Statements.

**DUTCHESS COUNTY LOCAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

<u><b>ASSETS</b></u>	<u><b>2010</b></u>
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 240,605
Other Receivables	115
<b>Total Current Assets</b>	<u>240,720</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 240,720</u></u>
<u><b>LIABILITIES AND NET ASSETS</b></u>	
<b>Current Liabilities:</b>	
Accrued Liabilities	<u>\$ 4,000</u>
<b>Total Current Liabilities</b>	<u>4,000</u>
<b>Net Assets:</b>	
Unrestricted	<u>236,720</u>
<b>Total Net Assets</b>	<u>236,720</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 240,720</u></u>

The Independent Auditors' Report and the Notes to the Financial Statements  
should be read in conjunction with these financial statements.

**DUTCHESS COUNTY LOCAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

<b><u>REVENUES:</u></b>	<b><u>YEAR ENDED</u></b> <b><u>2010</u></b>
Administrative and Closing Fees for Financing Transfer Agreements	\$ 245,837
Interest Income	<u>31</u>
<b>Total Revenues</b>	<u>245,868</u>
<b><u>EXPENSES:</u></b>	
Contractual and Project Costs	<u>9,148</u>
<b>Total Expenses</b>	<u>(9,148)</u>
<b>Excess of Revenues or (Expenses)</b>	236,720
<b>Net Assets, January 1, 2010</b>	<u>-</u>
<b>Net Assets, December 31, 2010</b>	<u><u>\$ 236,720</u></u>

The Independent Auditors' Report and the Notes to the Financial Statements  
should be read in conjunction with these financial statements.

**DUTCHESS COUNTY LOCAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>YEAR ENDED</b>
	<b>2010</b>
<b>Cash Flows from Operating Activities:</b>	
Receipts from providing services	\$ 245,722
Payments to contractors	(5,148)
Interest received	31
Net cash provided by operating activities	240,605
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	240,605
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	-
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 240,605
<b>Reconciliation of operating income to net cash provided</b>	
<b>By operating activities</b>	
Operating Income	\$ 236,720
<b>Changes in Assets and Liabilities:</b>	
Other Receivable	(115)
Accrued Liabilities	4,000
	4,000
<b>NET CASH PROVIDED</b>	
<b>BY OPERATING ACTIVITIES</b>	\$ 240,605

The Independent Auditors' Report and the Notes to the Financial Statements  
should be read in conjunction with these financial statements.

**DUTCHESS COUNTY  
LOCAL DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. Organization and Summary of Significant Accounting Policies**

**Organization and Operations**

The Dutchess County Local Development Corporation (“LDC”) is a public benefit corporation established in 2010 under section 1411 of the New York not-for profit corporation law to act as an “on behalf of” issuer of conduit tax exempt bonds.

In January, 2008, civic facility legislation expired and Industrial Development Agencies no longer had the authority to issue tax exempt bonds or provide other financial assistance to 501(c)(3) organizations. The LDC was established to address the capital needs of these organizations.

The LDC’s function is via the issuance of industrial revenue bonds and other means to promote economic development. The LDC reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The LDC receives fees from applicants and closing fees from those accepted for industrial revenue financing.

**Basis of Accounting**

The financial statements of the LDC have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In June 1999, the GASB approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement which affect the financial statements of the LDC include the following:

**Cash and Cash Equivalents**

For the purpose of presenting the Statements of Cash Flows, the LDC considers all demand deposits, time and savings accounts and certificates of deposit with an original maturity of three months or less to be cash or cash equivalent.

**DUTCHESS COUNTY  
LOCAL DEVELOPMENT CORPORATION  
(A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
DECEMBER 31, 2010**

**1. Organization and Summary of Significant Accounting Policies (Cont'd.)**

**Cash and Cash Equivalents (Cont'd)**

LDC monies are deposited in FDIC insured commercial banks or trust companies located within the State. The LDC is authorized to use demand deposit, time and money market savings accounts and certificates of deposit. Governmental Accounting Standards Board Statement No. 40 Deposits and Investment Risk Disclosure, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the LDC or its agent in the LDC's name. The LDC's cash balances were fully covered by FDIC insurance and were not subject to custodial credit risk.

**2. Local Development Revenue Bonds**

Bonds authorized by the LDC and issued through various lending institutions are designated as special obligations of the LDC and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances the LDC is the holder of legal title to properties acquired with industrial revenue bond financing until such point in time as the construction of property improvements has been completed or satisfaction of the obligation has been effected in full, the LDC does not act as a guarantor in the event of collateralized properties and revenues as specified in the applicable financing agreement are insufficient to meet debt service requirements. Additionally, in each of these financings, the LDC has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the industrial revenue bonds. As a consequence, the LDC does not reflect such bonds or related properties on its financial statements. Local development revenue bonds authorized by the LDC and outstanding at December 31, 2010 total \$75,435,000.

**OTHER SUPPLEMENTAL INFORMATION**

DUTCHESS COUNTY LOCAL DEVELOPMENT CORP  
 (A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)  
 SCHEDULE OF INDEBTEDNESS

December 31, 2010

Project Name	Original Issue Amount	Original Issue Date	Interest Rate	Outstanding Balance		Principal Payments 2010	Outstanding Balance December 31, 2010	Final Maturity Date
				January 1, 2010	New Issue 2010			
Anderson Center Services, Inc.	17,275,000	11/10	5.95	-	17,275,000	-	17,275,000	2030
Health Quest Inc	55,055,000	10/10	5.64	-	55,055,000	-	55,055,000	2040
Poughkeepsie Day School	3,105,000	12/10	4.25	-	3,105,000	-	3,105,000	2025
<b>Totals</b>	<b><u>\$75,435,000</u></b>			<b>\$0</b>	<b><u>75,435,000</u></b>	<b>\$0</b>	<b><u>\$75,435,000</u></b>	

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Dutchess County Local Development Corporation  
3 Neptune Road  
Poughkeepsie, New York 12601

We have audited the financial statements of the business-type activities of the Dutchess County Local Development Corporation (the Corporation), as of and for the year ended December 31, 2010, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Dutchess County Local Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Dutchess County Local Development Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dutchess County Local Development Corporation's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Chairman, and the Corporation's Board, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Sedore Hudson Valley CPAs*

Poughkeepsie, New York  
March 25, 2011